

The Corporation of the City of Kawartha Lakes

Council Report

Report Number HH2018-003

Date: Tuesday, April 10th, 2018

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier:

Subject: Development Charges Rebate Program

Author Name and Title: Hope Lee, Administrator/Manager of Housing

Recommendation(s):

That Report HH2018-003, Development Charges Rebate Program, be received;
and

That the Service Manager is designated as program administrator which includes the approval of the Expression of Interest submitted on March 2, 2018 and authorization to enter into a Transfer Payment Agreement with the Ministry of Housing on the City's behalf if selected to receive funding.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

On April 20, 2017, the government announced its Fair Housing Plan, a comprehensive package of 16 measures to improve housing affordability, address demand, protect renters and buyers, increase the supply of housing, and improve information sharing.

The Development Charges Rebate Program is one of the measures to increase supply of housing, specifically purpose-built market rental development. The Program provides rebates for development charges and aims to reduce the construction costs of building market rental housing, particularly in those communities that are most in need of new purpose-built rental housing.

Under the Program, up to a total of \$125 million over five years is available as rebates for development charges, starting with 2018-19. Notional allocations for fiscal years 2018-19, 2019-20, and 2020-21 (\$25 million each year for a total of \$75 million) will be announced in spring 2018 in accordance with provincial accounting and budgetary practices.

To participate in the Development Charges Program, the Ministry of Housing (MHO) is inviting municipalities who charge multi-unit development charges and have been identified as being in need of new purpose-built market rental housing to submit an Expression of Interest (EOI). This includes municipalities that have:

- A vacancy rate of 3% or less, or
- High tenant populations (i.e. 20% or more of all households are rental households).

Additionally, municipalities with opportunities to approve rental housing developments within an approximate 500-800 metre radius of a major transit station area (MTSA) are also being invited to participate in the program. For the purposes of the program, MTSA includes commuter rail (i.e. GO Transit), subway, light rail or bus rapid transit.

The City is one of just over eighty municipalities invited to submit an EOI.

Program funding, if approved, will be provided according to the terms and conditions of a Transfer Payment Agreement (TPA) between the Province and the municipality.

There are no requirements for municipalities to contribute to the Program. However, municipalities are encouraged to consider providing municipal incentives, where possible, to purpose-built market rental developments eligible to receive provincial rebates under the program.

The Program cannot be used by municipalities to replace any existing housing programs and incentives that municipalities may already have with respect to

affordable (below-market) rental housing. For greater clarity, this Program cannot be used by municipalities to replace or support a municipal program or any municipal decision relating to deferrals or rebates or exemptions of development charges.

Under the Program, municipalities have the flexibility to determine the rental housing developments and units that will receive funding through this program based on local need, but within broad provincial program criteria:

- Developments must be consistent with the PPS and conform with the Growth Plan;
- Developments must align with other provincial priorities and lead to net new additional public good (rental housing, family-sized units, senior-friendly, close to transit and transit hubs);
- Developments and units receiving provincial rebates remain rental for a minimum of 20 years;
- Non-luxury rental units, where starting rents do not exceed 175% of AMR as published by Canada Mortgage and Housing Corporation (CMHC). Municipalities have the ability to set a lower threshold based on local circumstances and housing policies.

The following types of developments and units are not eligible under the Program:

- Single and semi-detached homes, duplexes/triplexes, and retirement homes;
- Units already receiving provincial capital subsidies under housing supply programs (e.g., under IAH – Rental Component);
- Luxury market rental units, where starting rents exceed 175% of Average Market Rents, as published by CMHC; and
- Market rental developments receiving a deferral of or exemption from the payment of development charges.

Municipalities have an option to designate their housing Service Manager as the administrator of the Program, and also submit an EOI on their behalf.

If a municipal council designates the housing Service Manager as the program administrator:

- The municipality must submit a copy of the municipal council's decision designating the housing Service Manager as program administrator, directing the Service Manager to submit an EOI to MHO, and authorizing the Service Manager to enter into a Transfer Payment Agreement with MHO on the municipality's behalf.
- The housing Service Manager must provide written confirmation from a person of appropriate authority of its willingness to act as program administrator.

Rationale:

On March 2, 2018 an EOI was submitted for program funding. The deadline for the submission of an EOI was March 2nd, 2018. This report recommends that council approve the submission of that EOI to MHO and designation of the Service Manager as outlined within the program.

Administration by the Service Manager (Housing division) is not required. However the EOI was prepared by the Housing division and has been submitted with the intention that access to this funding will further assist to encourage mixed purpose built rental (both affordable and market) as the Housing division in its role as Service Manager continues its work through the 10 Year Plan and the Affordable Housing Framework. This funding for the market units along with other tools and incentives for the affordable units will reduce developer's capital costs and hopefully encourage that development in the City rather than in some other municipality.

The EOI required a projection for the next 5 years beginning with the 2018-19 provincial fiscal year. The province does recognize that planning approval process can sometimes take a few years so to accommodate for any delays in planning approvals municipalities are given two years to rebate eligible developments. For example, allocations made in the fiscal year 2018-19 will need to be provided as rebates no later than March 31, 2020. If unable to rebate the allocation, MHO would either reconcile unspent funding or re-allocate the funding to another municipality.

MHO is to announce participating municipalities and their notional allocations early spring 2018 (starting with fiscal years 2018-19, 2019-20 and 2020-21) with a requirement to sign Transfer Payment Agreements immediately following.

Other Alternatives Considered:

Council could decide not to designate the Service Manager (Housing division) and have the Planning division administer. For the reasoning above, this is not the recommended approach.

Financial/Operation Impacts:

The EOI submitted by the City requested the following annual allocations:

2018-19 - \$100,000
2019-20 - \$130,000
2020-21 - \$150,000
2021-22 - \$475,000
2022-23 - \$475,000

The Service Manager had knowledge of three KLH mixed use purpose built rental projects being proposed over the next several years where this funding would be beneficial to the market units. The last two years are estimated in hopes that having the funding will encourage some larger, private developments on parcels of land like the old fairgrounds.

The program allows the use of up to 5% of allocations to cover administration costs. This has been considered in the funding requested above.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendations of this report directly support the Actions under Goal 2: An Exceptional Quality of Life in the City of Kawartha Lakes Strategic Plan 2016-2019, specifically 2.2.2 Enhance access to community and human/health services and 2.2.3 Increase the supply of affordable housing.

Consultations:

Chief Building Official
Manager of Planning

Attachments:

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Department Head: Rod Sutherland